

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

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E.O. 11652:N/A

TAGS:EFIN, RP

SUBJECT:OPIC INSURANCE FOR BANK OF AMERICA

REF: MANILA 7963

1. EMBASSY'S OBJECTIONS TO THIS PROJECT, CITED REFTTEL, REFLECT SERIOUS PROBLEMS WHICH ARE BEING GIVEN CAREFUL CONSIDERATION. BELIEVE, HOWEVER, EMBASSY POSITION MAY REFLECT SOME MISUNDERSTANDINGS. DISCUSSION BETWEEN STATE AND OPIC OFFICIALS HAS LED TO FOLLOWING CONCLUSIONS.

2. WITH REGARD TO NEED FOR ASSIGNING PRIORITIES FOR OPIC OBLIGATIONS IN PHILIPPINES, WE RECOGNIZE THAT OPIC'S CONCENTRATION POLICY GENERALLY LIMITING EXPOSURE IN ANY ONE COUNTRY TO TEN PER CENT WORLDWIDE EXPOSURE MAY PRESENT PROBLEM FOR THE FUTURE. HOWEVER, LATEST OPIC STUDY INDICATES AMPLE ROOM TO ACCOMMODATE ALL PENDING APPLICATIONS, WITH LEEWAY FOR SUBSTANTIAL ADDITIONAL BUSINESS AS WELL. IF IT APPEARED THAT OPIC EXPOSURE IN THE PHILIPPINES WAS

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NEARING A CONCENTRATION THRESHHOLD, OPIC WOULD CONSULT WITH

STATE AND THE EMBASSY REGARDING APPROPRIATE MEASURES TO RATION AVAILABLE INSURANCE FOR THE PHILIPPINES AS IT HAS DONE ELSEWHERE. MOST RECENT PROJECTIONS INDICATE THAT OPIC'S PROBABLE PHILIPPINE EXPOSURE IN 1978 WOULD BE 8.5 PER CENT FOR INCONVERTIBILITY, 7.5 PER CENT EXPROPRIATION AND 6.2 PER CENT WAR RISK. PARTICULARLY SINCE PERMITTED EXPOSURE IN ANY ONE COUNTRY IS FUNCTION OF WORLDWIDE BUSINESS TOTAL, WE SEE NO BASIS AT PRESENT FOR REJECTING AN OTHERWISE ACCEPTABLE PROJECT IN ANTICIPATION OF POSSIBLE FUTURE LIMITATION.

3. CONCERNING DEVELOPMENTAL CHARACTER OF PROJECT, BANK OF AMERICA INVESTMENTS IN PHILIPPINES WHEN VIEWED IN TOTO APPEAR TO BE USEFUL CONTRIBUTION TO STRENGTHENING OF PHILIPPINE BANKING STRUCTURE, AND THEREFORE TO OVERALL ECONOMIC DEVELOPMENT. BANK BUILDING IS ONLY ONE PART OF THIS EXPANSION, OTHER ELEMENTS OF WHICH OPIC HAS ALREADY INSURED. MOREOVER, CONSTRUCTION OF MODERN OFFICE BUILDINGS HAS BEEN INSURED BY OPIC IN SEVERAL COUNTRIES WHERE THEY HAVE BEEN FOUND TO CONTRIBUTE TO DEVELOPMENT. SEE NO BASIS FOR DIFFERENTIATING THIS PROJECT FROM THOSE ELSEWHERE, IN THIS REGARD.

4. RECOGNIZE COMPLEXITY AND SENSITIVITY OF LAND ISSUE AND HAVE NO DESIRE TO COMPLICATE RELATIONS WITH GOP OR NEDA THROUGH THIS PROJECT. IN ADDITION TO CONDITION DISCUSSED PREVIOUSLY WHICH PRESUMES COMPLIANCE WITH ALL LOCAL LAWS, CONTRACT COULD BE WRITTEN SPECIFICALLY TO EXCLUDE COVERAGE IN THE EVENT OF EXPROPRIATION DUE TO NON-COMPLIANCE BY BANK OF AMERICA WITH LAND OWNERSHIP REQUIREMENTS, SHOULD THIS APPEAR ADVISABLE. PREREQUISITE OF PHILIPPINE GOVERNMENT APPROVAL FOR ANY INSURANCE REMAINS UNQUESTIONED AND WOULD, WE THINK, OFFER DEFINITIVE INDICATION OF GOP ATTITUDE TOWARD PROJECT.

5. BANK OF AMERICA, WHICH HAS LONG BEEN GOOD CUSTOMER OF OPIC, HAS INDICATED STRONG INTEREST IN OBTAINING INSURANCE FOR THIS PROJECT. OPIC WOULD FIND IT HELPFUL TO BE ABLE TO ACT ON APPLICATION THIS FISCAL YEAR, AS THIS COULD AFFECT ABILITY TO HANDLE APPLICATIONS FROM OTHER LOCATIONS AS WELL. AT SAME TIME, WE HAVE NO WISH TO PRESSURE GOP LIMITED OFFICIAL USE

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TOWARD APPROVAL IF AUTHORITIES ARE ADVERSELY INCLINED. ACCORDINGLY, REQUEST EMBASSY TO APPROACH GOP AUTHORITIES ON INFORMAL BASIS, TO INQUIRE WHETHER INFORMAL INDICATION COULD BE PROVIDED OF GOP THINKING RE PROJECT. IF THERE IS NO OBJECTION, OPIC, AS IT HAS DONE IN OTHER CASES, WOULD APPROVE INSURANCE WITH SPECIFIC CONDITION THAT IT WILL BE VALID ONLY UPON RECEIPT OF PHILIPPINE GOVERNMENT APPROVAL. BANK HAS STATED WILLINGNESS TO ACCEPT AND PAY FOR INSURANCE

ON THIS BASIS. IF ON THE OTHER HAND GOP AUTHORITIES
INDICATE MISGIVINGS ABOUT ACCEPTABLITY OF PROJECT, NO
ACTION WOULD BE TAKEN UNTIL FORMAL RESPONSE RECEIVED.
6. APPRECIATE REPLY RE QUESTIONS RAISED PARAS 4 AND 5 BY
OPENING OF BUSINESS JUNE 30. KISSINGER

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